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STATE MEMBERS

CC 80-286 ORIGINAL

FEDERAL STATE JOINT BOARD ON SEPARATIONS

October 27, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable William Kennard
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: State Member Request For the FCC To Notice and Solicit Comment on Cost Study
Analysis Tool - Filed in proceeding captioned - *In the Matter of Jurisdictional
Separations Reform and Referral to the Federal- State Joint Board*, CC Docket No.
80-286

Dear Chairman Kennard:

The State Members of the Federal State Joint Board on Separations - Oregon Commissioner Joan Smith, Maine Commissioner Thomas Welch, and Iowa Commissioner Diane Munns - believe that the cost study analysis tool described in the attached document can assist the Joint Board in evaluating the financial effects of various options and issues to be addressed in the ongoing comprehensive review of the Part 36 rules.

The attachment conveys the State Member's formal request for the FCC to solicit comments on the usefulness of this tool as soon as possible.

I have attached a disk with the model included to this transmittal. Copies of the cost study analysis tool will also be posted with the attached State Member memorandum to the National Association of Regulatory Utility Commissioner's webpage at <http://www.naruc.org>.

Thank you for your attention to this request.

Sincerely,

J. Bradford Ramsay

Counsel to State Members

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FORMAL REQUEST FROM STATE MEMBERS
For Notice and Comment on
SEPARATIONS SIMULATION COST STUDY TOOL

Introduction

The FCC issued a Notice of Proposed Rulemaking (NPRM) in Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket 80-286 on October 7, 1997 (FCC 97-354). The goal of the NPRM was a comprehensive review of the Part 36 separations rules to consider changes that may need to be made in light of changes in the telecommunications industry. The proposals set forth in the NPRM were referred to the Federal-State Joint Board established in CC Docket 80-286 (Separations Joint Board) for preparation of a recommended decision. On December 21, 1998, the State Members of the Separations Joint Board filed a state report on Comprehensive Review of Separations setting forth additional issues to be addressed by the Joint Board. Interested parties filed comments and replies on the NPRM and the state report.

The Separations Joint Board is reviewing and deliberating the various proposals, recommendations and tentative conclusions contained in the NPRM, the State Report and parties' comments. In crafting any recommended decision or proposals for a Further NPRM, the Separations Joint Board may need to estimate any cost shifts that could result from different separations approaches. To this end, the State Members of the Separations Joint Board propose using a simulation cost study tool developed in Excel and used successfully by the Public Utility Commission of Oregon in various adjudicatory proceedings before the commission since 1985. This cost study tool would assist the Joint Board in evaluating the cost shift effects of proposed separation rule changes on Incumbent Local Exchange Carriers (ILECs) subject to 47 C.F.R. Part 36 rules.

The cost study tool applies the current Part 36 rules to an ILEC's ARMIS 43-04 information. The study develops a base case interstate and intrastate revenue requirement using company-specific information. An input sheet is included which allows the user to change various traffic factors, plant categorizations, tax rates and ROR. Adjusted interstate and intrastate revenue requirements and resultant cost shifts associated with the changes are calculated.

To demonstrate its possible use, we estimated the theoretically possible effects of two recent FCC decisions, the reciprocal compensation order and the order on the GTE ADSL tariff filing. The estimated results presented here, of course, depend upon assumptions that are explained below.

The State Members believe that the Excel cost study tool provides the Joint Board with the flexibility not available with other tools used to evaluate financial effects of changes to separations rules. The State Members also believe that state regulators and other parties affected by changes to jurisdictional cost separations will find the cost study tool helpful in evaluating how such changes could affect them as they estimate rate impacts.

Internet Dial-up Access Services

The FCC, in its reciprocal compensation order, declared that dial-up access to the Internet is an interstate service. The order states:

Although the Commission has recognized that enhanced service providers (ESPs), including ISPs, use interstate access services, since 1983 it has exempted ESPs from the payment of certain access charges. Pursuant to this exemption, ESPs are treated as end users for purposes of assessing access charges, and the Commission permits ESPs to purchase their links to the public switched telephone network (PSTN) through intrastate business tariffs rather than through interstate access tariffs. In addition, incumbent LEC expenses and revenue associated with ISP-bound traffic traditionally have been characterized as intrastate for separations purposes. Thus, the Commission continues to discharge its interstate regulatory obligations by treating ISP-bound traffic as though it were local.¹

The FCC's decision to treat the minutes associated with interstate dial-up Internet service as intrastate, when such services are ordered under an intrastate tariff, would under current rules assign relatively more costs to the intrastate jurisdiction. The State Members of the Joint Board used the cost study tool to estimate the relative magnitude of the costs that would have been allocated to the interstate jurisdiction if the FCC's finding that Internet traffic is interstate had been accompanied by a conclusion that Internet minutes should be counted as interstate for separations purposes.

¹ In the Matter of Inter-Carrier Compensation for ISP-Bound Traffic and Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket Nos. 99-68 and 96-98, (rel.

The study allows entry of the percentage of intrastate minutes attributable to Internet usage and then reassigns that usage to the interstate jurisdiction. Separate adjustment factors are available for Subscriber Line Usage (SLU), Dial Equipment Minutes (DEM), Exchange Trunk Minutes of Use (MOU), Host/Remote MOU per Kilometer (Km), Conversation MOU and Conversation MOU Km factor.

For purposes of developing an initial estimate, the State Members estimated that 20% of the total intrastate local switching minutes are associated with dial-up Internet services. Since not all of the local switching minutes associated with dial-up Internet necessarily use trunks, it is possible that at least some of the dial-up Internet traffic will only be switched within the ISP's local switch. Therefore, we allocated 15% of the total intrastate usage for message trunks to the interstate jurisdiction. Similarly, not all of the dial-up Internet trunking usage would be routed to a tandem switch. We assumed that 10% of the intrastate tandem minutes would be reallocated as interstate. Finally, we allocated 20% of the intrastate Host/Remote MOU Km, 2% of the intrastate Conversation MOU and 2% of the intrastate Conversation MOU Km to the interstate jurisdiction. These numbers are averages and will not necessarily apply to individual companies or individual states.

Using these assumptions, and compared to the base case revenue requirement calculation, it appears that the effect of moving Internet minutes to the interstate jurisdiction would be a shift in costs of about \$2.8 billion annually nationwide (about \$1.40 per line per month) to the interstate jurisdiction.

GTE ADSL Tariff Order

Currently, Part 36 rules categorize loop investment into three categories: intrastate private line, interstate private line, and joint message. Private line costs associated with the loop are directly allocated to the appropriate jurisdiction. Joint use loop costs are allocated between the interstate and intrastate jurisdictions using a 25%/75% allocation factor. These rules were adopted prior to deployment of advanced high capacity services such as ADSL.

In a 1998 decision regarding a GTE ADSL tariff filing², the FCC directed that ADSL-capable loops be categorized as joint message loops, with no additional loop costs allocated to the interstate jurisdiction beyond the existing 25%. GTE argued that ADSL is incremental to the existing message telephone loop and therefore it remained appropriate to allocate costs of ADSL-capable lines using the 25% factor. ADSL service often requires a higher quality loop than is necessary for standard telephone service and several utilities have installed fiber in the loop to provide ADSL and other broadband services. Moreover, "voice" information may be a minimal component of the total ADSL capability. Therefore, it is possible to view voice services as incremental to ADSL service, and thus view voice investment as incremental to ADSL investment. The FCC's conclusion that ADSL is an interstate service thus raises the question of whether the allocation of ADSL investment costs which today are separated as joint use facilities, should instead be treated as dedicated interstate private line facilities, or should be allocated between the jurisdictions on some other basis.

To estimate the potential dollar impact of such a change in cost assignment, the State Members adjusted the base case scenario by shifting a percentage of investment reported under Central Office Equipment (COE) Category 4.13 Joint Use and also Cable and Wire Facilities (CWF) Category 1.3 Joint Use. This investment was shifted from joint use to dedicated interstate private line categories. The cost study tool allows the user to vary the percentages of investment to be shifted from joint message use to dedicated interstate private line.

For purposes of initial analysis, the State Members have assumed an adjustment factor based on the number of subscriber or common lines that are ADSL capable. We further assumed that, for every carrier, 30% of existing joint use subscriber or common lines are ADSL-capable. We note that some companies have 100% of their loops ADSL-capable. The proper percentages certainly will vary by individual exchanges, by individual companies as well as individual states.

² GTE Tel. Operating Cos. GTOC Transmittal No. 1148, CC Docket No. 98-79, FCC 98-292, Memorandum Opinion and Order (rel. Oct. 30, 1998) GTE argued that its ADSL service is properly tariffed at the federal level on the ground that it's similar to existing special access services that are subject to federal regulation under the mixed-use facilities rule because more than ten percent of the traffic is interstate. ¶ 23.

October 21, 1999

Using these assumptions, the State Members found that if ADSL services were no longer treated as joint use but instead as private line, an additional \$8.3 billion, or \$4.19 per line per month, would be, under current separations rules, assigned to the interstate jurisdiction with a corresponding reduction in the assignment to the intrastate jurisdiction.

Other Model Assumptions

Because there are numerous individual state and local income tax rates, as well as, state PUC fee rates, the simulation study does not attempt to model all of these specific rates. These rates were set to zero for purposes of this example. In addition, we used the fixed charges and other tax adjustments as reported in ARMIS. There is a provision in the input worksheet to calculate the fixed charges based on the weighted cost of debt. Finally, the simulation study uses the current FCC approved rate of return (11.25%) for all jurisdictions.

Conclusion

The State Members believe that the cost study analysis tool described here can provide useful information to the Joint Board as we continue discussion of the comprehensive review of Part 36 rules. We believe, in particular, that this analysis tool should assist us in evaluating the financial effects of various options and issues to be addressed in the comprehensive review proceeding.

We respectfully request that the FCC promptly solicit comments on the usefulness of this tool.

Adjustments for Internet Effects and DSL

Steps Required:

1. Set parameters on this page
2. Get input data on next page
3. The rest is automatic. Look for results on summary pages

PARAMETERS: STANDARD REVENUE REQUIREMENT

Class of Company: Class A = 1, Class B = 2

Rate of Return:

Interstate = 11.25%
Intrastate = 11.25%

Income Tax Rates:

Federal Tax Rate = 35.00%
State Tax Rate = 0.00%

PUC Fee Rate = 0.00%

Subscriber Plant Factor Interstate SPF = 25.00%

L. Interest Expense:

As Reported = 1, Interest Exp Calculated = 2

PARAMETERS: INTERNET AND DSL

Adjustments for Internet Usage:

A. SLU Adjustment = -20%
B. DEM Adjustment = -20%
C. Exchange Trunk Adjustment = -15%
D. Host/Remote MOU Km = -20%
E. Tandem Switching = -10%
F. Conversation MOU = -2%
G. Conversation MOU Km = -2%

Adjustments for DSL:

H., I. Shift of COE Cat 4.13 Jt Use to Dedic. PL = -30%
J., K. Shift of CWF Cat 1.3 Jt Use to Dedic. PL = -30%

| Pct. Adjustment to Intrastate | Pct. Adjustment to Total | Rate Range Check |
|-------------------------------|--------------------------|------------------|
| -20% | | OK |
| -20% | | OK |
| -15% | | OK |
| -20% | | OK |
| -10% | | OK |
| -2% | | OK |
| -2% | | OK |
| | -30% | OK |
| | -30% | OK |

FACTOR ADJUSTMENT CALCULATIONS:

| | Interstate | Intrastate | Total |
|--|------------|-------------|------------|
| A. 1 SLU Minutes of Use - Base | 5,166,000 | 26,227,000 | 31,393,000 |
| 2 Base SLU Factor | 0.164559 | 0.835441 | 1.000000 |
| 3 % change to Intrastate | | -20% | |
| 4 Minute Change | 5,245,400 | (5,245,400) | 0 |
| 5 Adjusted SLU Minutes of Use | 10,411,400 | 20,981,600 | 31,393,000 |
| 6 Adjusted SLU Factor | 0.331647 | 0.668353 | 1.000000 |
| 7 Adjust cell with interstate factor - Ln A6 | E15 | | |
| B. 1 DEM Minutes of Use - Base | 5,213,000 | 26,242,000 | 31,455,000 |
| 2 Base DEM Factor | 0.165729 | 0.834271 | 1.000000 |
| 3 % change to Interstate | | -20% | |
| 4 Minute Change | 5,248,400 | (5,248,400) | 0 |
| 5 Adjusted DEM Minutes of Use | 10,461,400 | 20,993,600 | 31,455,000 |
| 6 Adjusted DEM Factor | 0.332583 | 0.667417 | 1.000000 |
| 7 Adjust cell with interstate factor - Ln B6 | E23 | | |

| | | | | |
|------|--|-------------|---------------|-------------|
| C. 1 | Exchange Trunk Minutes of Use - Base | 3,407,000 | 11,973,000 | 15,380,000 |
| 2 | Base Exchange Trunk Factor | 0.221521 | 0.778479 | 1.000000 |
| 3 | % change to Interstate | | -15% | |
| 4 | Minute Change | 1,795,950 | (1,795,950) | |
| 5 | Adjusted Exchange Trunk Minutes of Use | 5,202,950 | 10,177,050 | 15,380,000 |
| 6 | Adjusted Exchange Trunk Factor | 0.338293 | 0.661707 | 1.000000 |
| 7 | Adjust cell with interstate factor - Ln C6 | E25 | | |
| D. 1 | Host/Remote Minutes of Use Km- Base | 288,652,000 | 556,465,000 | 845,117,000 |
| 2 | Base Host/Remote Factor | 0.341553 | 0.658447 | 1.000000 |
| 3 | % change to Interstate | | -20% | |
| 4 | Minute Change | 111,293,000 | (111,293,000) | 0 |
| 5 | Adjusted Host/Remote Minutes of Use Km | 399,945,000 | 445,172,000 | 845,117,000 |
| 6 | Adjusted Host/Remote Factor | 0.473242 | 0.526758 | 1.000000 |
| 7 | Adjust cell with interstate factor - Ln D6 | E36 | | |
| E. 1 | Tandem Switching Minutes of Use - Base | 2,106,000 | 2,264,000 | 4,370,000 |
| 2 | Base Tandem Switching Factor | 0.481922 | 0.518078 | 1.000000 |
| 3 | % change to Interstate | | -10% | |
| 4 | Minute Change | 226,400 | (226,400) | 0 |
| 5 | Adjusted Tandem Switching Minutes of Use | 2,332,400 | 2,037,600 | 4,370,000 |
| 6 | Adjusted Tandem Switching Factor | 0.533730 | 0.000000 | 0.533730 |
| 7 | Adjust cell with interstate factor - Ln E6 | E51 | | |
| F. 1 | Conversation Minutes of Use - Base | 3,644,000 | 1,939,000 | 5,583,000 |
| 2 | Base Conversation Minute Factor | 0.652696 | 0.347304 | 1.000000 |
| 3 | % change to Interstate | | -2% | |
| 4 | Minute Change | 38,780 | (38,780) | 0 |
| 5 | Adjusted Conversation Minutes of Use | 3,682,780 | 1,900,220 | 5,583,000 |
| 6 | Adjusted Conversation Minute Factor | 0.659642 | 0.340358 | 1.000000 |
| 7 | Adjust cell with interstate factor - Ln F6 | E56 | | |

| | | | | |
|------|---|---------------|-------------|---------------|
| G. 1 | Conversation Minute Km - Base | 338,575,000 | 193,482,000 | 532,057,000 |
| 2 | Base Conversation Minute Km Factor | 0.000000 | 0.000000 | 0.000000 |
| 3 | % change to Interstate | | -2% | |
| 4 | Minute Change | 3,869,640 | (3,869,640) | |
| 5 | Adjusted Conversation Minute Km | 342,444,640 | 189,612,360 | 532,057,000 |
| 6 | Adjusted Conversation Minute Km Factor | 0.643624 | 0.356376 | 1.000000 |
| 7 | Adjust cell with interstate factor - Ln G6 | E57 | | |
| H. 1 | COE Cat 4.13 Jt Use Investment | | | 297,288,000 |
| 2 | % change to Interstate 4.13 Ded. | | | -30% |
| 3 | Investment Change - 4.13 Jt Use | | | (89,186,400) |
| 4 | Adjusted COE Cat 4.13 Jt Use Investment | | | 208,101,600 |
| 5 | Adjust cell with Adj Total Jt Use Inv-Ln H4 | | | J132 |
| I. 1 | COE Cat 4.13 Ded. PL and WATS | 2,169,000 | 4,246,000 | 6,415,000 |
| 2 | Cat 4.13 Dedicated Factor | 0.338114 | 0.661886 | 1.000000 |
| 3 | Investment from 4.13 Jt Use | 89,186,400 | | |
| 4 | Adjusted COE Cat 4.13 Ded Investment | 91,355,400 | 4,246,000 | 95,601,400 |
| 5 | Adjust cell with Adj Total Ded Inv - Ln I4 | | | J133 |
| 6 | Adjusted COE Cat 4.13 Ded Factor | 0.955586 | 0.044414 | 1.000000 |
| 7 | Adjust cell with interstate factor - Ln I6 | E33 | | |
| J. 1 | CWF Cat 1.3 Jt Use Investment | | | 1,054,068,000 |
| 2 | % change to Interstate 1.3 Ded. | | | -30% |
| 3 | Investment Change - 1.3 Jt Use | | | (316,220,400) |
| 4 | Adjusted CWF Cat 1.3 Jt Use Investment | | | 737,847,600 |
| 5 | Adjust cell with Adj Total Jt Use Inv-Ln J4 | | | J159 |
| K. 1 | CWF Cat 1.3 Ded. Investment | 7,692,000 | 15,065,000 | 22,757,000 |
| 2 | Cat 1.3 Dedicated Factor | 0.338006 | 0.661994 | 1.000000 |
| 3 | Investment from 1.3 Jt Use | 316,220,400 | | |
| 4 | Adjusted CWF Cat 1.3 Ded Investment | 323,912,400 | 15,065,000 | 338,977,400 |
| 5 | Adjust cell with Adj Total Ded Inv - Ln K4 | | | J160 |
| 6 | Adjusted CWF Cat 1.3 Ded Factor | 0.955558 | 0.000000 | 0.955558 |
| 7 | Adjust cell with interstate factor - Ln K6 | E21 | | |
| L. 1 | Amount of Debt | 0 | | |
| 2 | Cost of Debt | 0.00 | | |
| 3 | Amount of Preferred Stock | 0 | | |
| 4 | Amount of Equity | 0 | | |
| 5 | Total Capital | 0 | | |
| 6 | Weighted Cost of Debt | 0.00 | | |
| 7 | Plant in Service | 2,433,460,000 | | |
| 8 | Accumulated Depreciation & Amortization | 1,150,577,000 | | |
| 9 | Basis for Interest Coordination | 1,282,883,000 | | |
| 10 | Interest Expense | 0 | | |

Adjusted Separations Model

Summary of Effects of Adjustments

Company: U S WEST-Oregon

| | Interstate | | | Change from Base Case | | |
|---------------------------------|-------------|-------------|---------------|-----------------------|---------------|-------|
| | Interstate | Intrastate | Total | Interstate | Intrastate | Total |
| BASE SEPARATIONS: | | | | | | |
| Total Rate Base | 309,489,953 | 781,386,047 | 1,070,876,000 | | | |
| Pct of Total | 29% | 71% | 100% | | | |
| Net Operating Income | 34,817,620 | 85,655,930 | 120,473,550 | | | |
| Pct of Total | 29% | 71% | 100% | | | |
| Operating Expense | 158,656,352 | 427,040,648 | 585,697,000 | | | |
| Pct of Total | 27% | 73% | 100% | | | |
| Revenue Requirement | 218,510,299 | 574,238,393 | 792,748,692 | | | |
| Pct of Total | 28% | 72% | 100% | | | |
| INTERNET DIAL UP and DSL | | | | | | |
| Total Rate Base | 558,294,028 | 512,581,972 | 1,070,876,000 | 248,804,075 | (248,804,075) | 0 |
| Pct of Total | 52% | 48% | 100% | 23% | -23% | |
| Net Operating Income | 62,808,078 | 57,665,472 | 120,473,550 | 27,990,458 | (27,990,458) | 0 |
| Pct of Total | 52% | 48% | 100% | 23% | -23% | |
| Operating Expense | 212,650,196 | 373,046,804 | 585,697,000 | 53,993,845 | (53,993,845) | 0 |
| Pct of Total | 36% | 64% | 100% | 9% | -9% | |
| Revenue Requirement | 318,302,229 | 474,446,463 | 792,748,692 | 99,791,930 | (99,791,930) | 0 |
| Pct of Total | 40% | 60% | 100% | 13% | -13% | |
| INTERNET DIAL UP ONLY | | | | | | |
| Total Rate Base | 374,471,893 | 696,404,107 | 1,070,876,000 | 64,981,940 | (64,981,940) | 0 |
| Pct of Total | 35% | 65% | 100% | 6.07% | -6.07% | 0.00% |
| Net Operating Income | 42,128,088 | 78,345,462 | 120,473,550 | 7,310,468 | (7,310,468) | 0 |
| Pct of Total | 35% | 65% | 100% | 6.07% | -6.07% | 0.00% |
| Operating Expense | 164,747,936 | 420,949,064 | 585,697,000 | 6,091,584 | (6,091,584) | (0) |
| Pct of Total | 28% | 72% | 100% | 1.04% | -1.04% | 0.00% |
| Revenue Requirement | 236,101,237 | 556,647,455 | 792,748,692 | 17,590,938 | (17,590,938) | 0 |
| Pct of Total | 30% | 70% | 100% | 2.22% | -2.22% | 0.00% |
| DSL ONLY | | | | | | |
| Total Rate Base | 493,312,088 | 577,563,912 | 1,070,876,000 | 183,822,135 | (183,822,135) | 0 |
| Pct of Total | 46% | 54% | 100% | 17% | -17% | 0% |
| Net Operating Income | 55,497,610 | 64,975,940 | 120,473,550 | 20,679,990 | (20,679,990) | 0 |
| Pct of Total | 46% | 54% | 100% | 17% | -17% | 0% |
| Operating Expense | 206,558,612 | 379,138,388 | 585,697,000 | 47,902,260 | (47,902,260) | 0 |
| Pct of Total | 35% | 65% | 100% | 8% | -8% | 0% |
| Revenue Requirement | 300,711,291 | 492,037,401 | 792,748,692 | 82,200,992 | (82,200,992) | 0 |
| Pct of Total | 38% | 62% | 100% | 10% | -10% | 0% |

| Summary of Interstate Costs to be Recovered from the Intrastate Jurisdiction | | Internet, BellSouth Memory Call & DSL | | | Internet & BSouth Memory Call Only | | | DSL Only | | |
|--|-------------------------------|---------------------------------------|------------------------|----------|------------------------------------|----------------------|----------|----------------|----------------------|----------|
| State | Company | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change |
| AL | Contel SO-Alabama | \$8.16 | \$11,424,947 | 14.18% | \$2.11 | \$2,954,223 | 3.67% | \$6.05 | \$8,470,724 | 10.51% |
| AL | GTE SO-Alabama | \$8.39 | \$15,718,644 | 13.41% | \$1.94 | \$3,642,741 | 3.11% | \$6.44 | \$12,075,903 | 10.30% |
| AL | BellSouth-Alabama | \$6.69 | \$154,129,805 | 14.51% | \$1.54 | \$35,491,096 | 3.34% | \$5.15 | \$118,638,709 | 11.17% |
| | TOTAL Alabama | \$6.89 | \$181,273,396 | | \$1.60 | \$42,088,059 | | \$5.29 | \$139,185,337 | |
| AR | GTE SW-Arkansas | \$9.82 | \$9,943,364 | 12.65% | \$2.11 | \$2,139,547 | 2.72% | \$7.71 | \$7,803,816 | 9.92% |
| AR | Southwestern - Arkansas | \$6.71 | \$75,831,112 | 13.70% | \$1.10 | \$12,446,628 | 2.25% | \$5.61 | \$63,384,484 | 11.45% |
| | TOTAL Arkansas | \$6.97 | \$85,774,475 | | \$1.19 | \$14,586,175 | | \$5.78 | \$71,188,300 | |
| AZ | Contel/Arizona | \$8.74 | \$797,748 | 10.94% | \$2.25 | \$205,180 | 2.82% | \$6.49 | \$592,568 | 8.13% |
| AZ | U S WEST-Arizona | \$6.20 | \$204,530,239 | 13.95% | \$1.12 | \$37,124,764 | 2.53% | \$5.07 | \$167,405,475 | 11.42% |
| | TOTAL Arizona | \$6.20 | \$205,327,987 | | \$1.13 | \$37,329,945 | | \$5.08 | \$167,998,042 | |
| CA | GTE NW-West Coast California | \$8.71 | \$1,348,772 | 11.22% | \$2.05 | \$317,029 | 2.64% | \$6.66 | \$1,031,744 | 8.58% |
| CA | Contel/California | \$6.63 | \$29,314,696 | 10.65% | \$1.97 | \$8,701,630 | 3.16% | \$4.67 | \$20,613,066 | 7.49% |
| CA | GTE/California | \$5.48 | \$264,698,248 | 11.31% | \$1.72 | \$82,842,685 | 3.54% | \$3.77 | \$181,855,563 | 7.77% |
| CA | Pacific Bell - California | \$4.47 | \$956,828,396 | 11.41% | \$1.38 | \$295,048,692 | 3.52% | \$3.09 | \$661,779,704 | 7.89% |
| | TOTAL California | \$4.69 | \$1,252,190,112 | | \$1.45 | \$386,910,035 | | \$3.24 | \$865,280,077 | |
| CO | U S WEST-Colorado | \$7.44 | \$239,265,123 | 13.31% | \$1.38 | \$44,228,953 | 2.46% | \$6.07 | \$195,036,170 | 10.85% |
| CT | SNET-Connecticut | \$6.04 | \$156,216,039 | 10.90% | \$1.59 | \$41,196,220 | 2.88% | \$4.45 | \$115,019,819 | 8.03% |
| DC | Bell Atlantic-Washington D.C. | \$3.46 | \$37,460,132 | 9.01% | \$1.48 | \$16,080,130 | 3.87% | \$1.97 | \$21,380,002 | 5.14% |
| DE | Bell Atlantic-Delaware | \$4.65 | \$30,732,148 | 13.47% | \$0.90 | \$5,943,687 | 2.60% | \$3.75 | \$24,788,460 | 10.86% |
| FL | Sprint - Florida, Inc. | \$5.94 | \$143,021,116 | 13.31% | \$1.56 | \$37,603,873 | 3.50% | \$4.38 | \$105,417,243 | 9.81% |
| FL | GTE-Florida | \$6.44 | \$178,771,141 | 13.80% | \$1.43 | \$39,810,560 | 3.07% | \$5.00 | \$138,960,580 | 10.73% |
| FL | BellSouth-Florida | \$5.45 | \$423,167,994 | 13.38% | \$1.01 | \$78,357,801 | 2.48% | \$4.44 | \$344,810,193 | 10.91% |
| | TOTAL Florida | \$5.75 | \$744,960,251 | | \$1.20 | \$155,772,234 | | \$4.55 | \$589,188,017 | |
| GA | Alltel Georgia | \$8.68 | \$31,377,850 | 15.99% | \$1.93 | \$6,979,479 | 3.56% | \$6.75 | \$24,398,371 | 12.44% |
| GA | BellSouth-Georgia | \$6.23 | \$306,542,933 | 13.63% | \$1.21 | \$59,750,396 | 2.66% | \$5.01 | \$246,792,537 | 10.97% |
| | TOTAL Georgia | \$6.39 | \$337,920,783 | | \$1.26 | \$66,729,875 | | \$5.13 | \$271,190,907 | |
| HI | Hawaiian Telephone | \$6.56 | \$54,902,919 | 10.68% | \$2.20 | \$18,384,266 | 3.58% | \$4.36 | \$36,518,653 | 7.11% |

Summary of Interstate Costs to be Recovered
from the Intrastate Jurisdiction

| State | Company | Internet, BellSouth Memory Call & DSL | | | Internet & BSouth Memory Call Only | | | DSL Only | | |
|-------|-------------------------------|---------------------------------------|----------------------|---------------|------------------------------------|----------------------|--------------|-------------------|----------------------|---------------|
| | | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change |
| IA | GTE MD-Iowa | \$7.46 | \$10,770,169 | 12.62% | \$2.45 | \$3,543,790 | 4.15% | \$5.00 | \$7,226,379 | 8.47% |
| IA | GTE MD-Contel Systems of Iowa | \$6.27 | \$4,712,068 | 12.27% | \$1.71 | \$1,285,276 | 3.35% | \$4.56 | \$3,426,792 | 8.92% |
| IA | GTE MD-Contel-Iowa | \$5.76 | \$6,563,777 | 13.25% | \$2.06 | \$2,340,165 | 4.72% | \$3.71 | \$4,223,612 | 8.52% |
| IA | U S WEST-Iowa | \$4.62 | \$60,748,419 | 11.16% | \$1.29 | \$16,900,228 | 3.11% | \$3.34 | \$43,848,191 | 8.06% |
| | TOTAL Iowa | \$5.03 | \$82,794,433 | | \$1.46 | \$24,069,459 | | \$3.57 | \$58,724,973 | |
| ID | GTE NW-Idaho | \$8.82 | \$12,644,110 | 12.13% | \$1.65 | \$2,365,494 | 2.27% | \$7.17 | \$10,278,616 | 9.86% |
| ID | U S WEST-Idaho(PNB) | \$6.14 | \$2,440,138 | 14.07% | \$1.20 | \$474,936 | 2.74% | \$4.95 | \$1,985,202 | 11.33% |
| ID | U S WEST-Idaho | \$5.31 | \$31,946,459 | 12.65% | \$0.99 | \$5,922,913 | 2.34% | \$4.33 | \$26,023,546 | 10.30% |
| | TOTAL Idaho | \$6.00 | \$47,030,707 | | \$1.12 | \$8,763,343 | | \$4.88 | \$38,267,364 | |
| IL | GTE SO-Illinois | \$8.38 | \$4,320,641 | 16.07% | \$3.23 | \$1,662,647 | 6.18% | \$5.16 | \$2,657,993 | 9.88% |
| IL | GTE NO-Illinois | \$6.02 | \$47,775,701 | 12.44% | \$1.93 | \$15,340,441 | 4.00% | \$4.09 | \$32,435,260 | 8.45% |
| IL | GTE NO-Contel/Illinois | \$5.45 | \$12,533,111 | 13.82% | \$1.94 | \$4,450,572 | 4.91% | \$3.52 | \$8,082,540 | 8.91% |
| IL | Illinois Bell | \$4.05 | \$333,919,446 | 11.99% | \$1.16 | \$95,182,437 | 3.42% | \$2.90 | \$238,737,009 | 8.57% |
| | TOTAL Illinois | \$4.28 | \$398,548,900 | | \$1.25 | \$116,636,097 | | \$3.03 | \$281,912,803 | |
| IN | United Tel of Indiana | \$6.27 | \$17,807,908 | 13.89% | \$1.99 | \$5,660,485 | 4.42% | \$4.28 | \$12,147,423 | 9.48% |
| IN | Contel SO-Indiana | \$7.90 | \$1,007,880 | 17.33% | \$1.98 | \$252,841 | 4.35% | \$5.92 | \$755,040 | 12.98% |
| IN | GTE NO-Indiana | \$6.07 | \$52,640,499 | 12.96% | \$1.68 | \$14,603,129 | 3.59% | \$4.39 | \$38,037,370 | 9.36% |
| IN | GTE NO-Contel/Indiana | \$5.61 | \$12,294,792 | 14.35% | \$1.42 | \$3,116,622 | 3.64% | \$4.19 | \$9,178,171 | 10.72% |
| IN | Indiana Bell | \$4.41 | \$116,140,610 | 13.72% | \$1.17 | \$30,872,772 | 3.65% | \$3.24 | \$85,267,838 | 10.07% |
| | TOTAL Indiana | \$4.98 | \$199,891,690 | | \$1.36 | \$54,505,849 | | \$3.62 | \$145,385,841 | |
| KS | Southwestern - Kansas | \$6.22 | \$99,092,375 | 12.24% | \$1.26 | \$20,031,368 | 2.47% | \$4.96 | \$79,061,007 | 9.77% |
| KY | GTE SO-Contel-Kentucky | \$8.71 | \$9,883,319 | 13.36% | \$1.80 | \$2,043,762 | 2.76% | \$6.91 | \$7,839,557 | 10.60% |
| KY | GTE SO-Kentucky | \$8.00 | \$39,265,683 | 13.70% | \$2.09 | \$10,276,173 | 3.58% | \$5.91 | \$28,989,511 | 10.11% |
| KY | BellSouth-Kentucky | \$6.16 | \$88,279,741 | 13.92% | \$1.26 | \$18,047,395 | 2.85% | \$4.90 | \$70,232,346 | 11.07% |
| | TOTAL Kentucky | \$6.74 | \$137,428,743 | | \$1.49 | \$30,367,330 | | \$5.25 | \$107,061,414 | |
| LA | BellSouth-Louisiana | \$6.00 | \$166,900,099 | 13.80% | \$1.35 | \$37,680,441 | 3.11% | \$4.65 | \$129,219,658 | 10.68% |
| MA | BA Massachusetts | \$5.18 | \$276,234,421 | 9.88% | \$1.56 | \$83,053,671 | 2.97% | \$3.62 | \$193,180,750 | 6.91% |
| MD | Bell Atlantic-Maryland | \$5.09 | \$219,781,982 | 13.22% | \$1.29 | \$55,455,406 | 3.34% | \$3.81 | \$164,326,577 | 9.88% |
| ME | Bell Atlantic Maine | \$6.91 | \$56,510,875 | 11.96% | \$1.82 | \$14,916,309 | 3.16% | \$5.09 | \$41,594,568 | 8.80% |
| MI | Contel SO-Michigan | \$8.00 | \$5,023,986 | 16.51% | \$1.86 | \$1,170,987 | 3.85% | \$6.14 | \$3,852,998 | 12.66% |
| MI | GTE NO-Michigan | \$7.20 | \$58,577,821 | 13.99% | \$1.61 | \$13,082,561 | 3.12% | \$5.59 | \$45,495,260 | 10.87% |
| MI | Michigan Bell | \$4.31 | \$274,765,270 | 11.51% | \$1.19 | \$75,594,431 | 3.17% | \$3.12 | \$199,170,840 | 8.34% |
| | TOTAL Michigan | \$4.66 | \$338,367,077 | | \$1.24 | \$89,847,979 | | \$3.43 | \$248,519,098 | |

Summary of Interstate Costs to be Recovered
from the Intrastate Jurisdiction

| State | Company | Internet, BellSouth Memory Call & DSL | | | Internet & BSouth Memory Call Only | | | DSL Only | | |
|-------|---|---------------------------------------|----------------------|----------|------------------------------------|----------------------|----------|-------------------|----------------------|----------|
| | | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change |
| MN | U S WEST-Minnesota TOTAL Minnesota | \$4.61 | \$126,873,268 | 11.37% | \$1.25 | \$34,452,056 | 3.09% | \$3.36 | \$92,421,212 | 8.28% |
| MO | United Tel of Missouri | \$7.64 | \$23,420,712 | 13.84% | \$1.57 | \$4,809,509 | 2.84% | \$6.07 | \$18,611,203 | 11.00% |
| MO | GTE MD-Contel Systems of Missouri | \$8.35 | \$5,343,520 | 14.38% | \$1.92 | \$1,225,836 | 3.30% | \$6.44 | \$4,117,684 | 11.08% |
| MO | GTE MD-Contel of Eastern Missouri | \$11.80 | \$594,680 | 13.87% | \$2.69 | \$135,549 | 3.16% | \$9.11 | \$459,131 | 10.71% |
| MO | GTE MD-Missouri | \$7.62 | \$11,704,435 | 14.88% | \$1.89 | \$2,910,066 | 3.70% | \$5.72 | \$8,794,369 | 11.18% |
| MO | GTE MD-Contel-Missouri | \$9.99 | \$29,996,589 | 14.79% | \$2.07 | \$6,204,679 | 3.06% | \$7.93 | \$23,791,910 | 11.73% |
| MO | Southwestern - Missouri | \$6.37 | \$187,579,018 | 12.36% | \$1.43 | \$42,056,955 | 2.77% | \$4.94 | \$145,522,063 | 9.59% |
| | TOTAL Missouri | \$6.85 | \$258,638,953 | | \$1.52 | \$57,342,593 | | \$5.33 | \$201,296,360 | |
| MS | BellSouth-Mississippi TOTAL Mississippi | \$7.40 | \$112,294,041 | 14.85% | \$1.28 | \$19,396,381 | 2.57% | \$6.12 | \$92,897,660 | 12.29% |
| MT | U S WEST-Montana TOTAL Montana | \$6.77 | \$29,856,518 | 12.43% | \$1.28 | \$5,637,409 | 2.35% | \$5.50 | \$24,219,109 | 10.08% |
| NC | Central Tel Co. NC Divn-NC/VA | \$6.62 | \$21,384,601 | 13.94% | \$1.55 | \$5,008,268 | 3.28% | \$5.07 | \$16,376,335 | 10.67% |
| NC | Carolina Tel & Tel of North Carolina | \$6.55 | \$88,617,802 | 13.57% | \$1.59 | \$21,551,995 | 3.30% | \$4.96 | \$67,065,807 | 10.27% |
| NC | GTE SO-Contel-North Carolina | \$8.18 | \$12,466,094 | 14.15% | \$1.88 | \$2,857,731 | 3.24% | \$6.30 | \$9,608,363 | 10.91% |
| NC | GTE SO-North Carolina | \$8.95 | \$20,104,963 | 11.44% | \$2.78 | \$6,245,655 | 3.55% | \$6.17 | \$13,859,309 | 7.89% |
| NC | Alltel Carolina | \$6.08 | \$14,905,095 | 14.61% | \$1.33 | \$3,254,059 | 3.19% | \$4.75 | \$11,651,035 | 11.42% |
| NC | BellSouth-North Carolina | \$6.15 | \$178,775,279 | 13.92% | \$1.25 | \$36,203,328 | 2.82% | \$4.91 | \$142,571,951 | 11.10% |
| | TOTAL North Carolina | \$6.46 | \$336,253,833 | | \$1.44 | \$75,121,034 | | \$5.02 | \$261,132,799 | |
| ND | US WEST-North Dakota TOTAL North Dakota | \$4.74 | \$14,537,599 | 10.54% | \$1.16 | \$3,575,073 | 2.58% | \$3.57 | \$10,962,526 | 7.95% |
| NE | GTE MD-Nebraska | \$5.60 | \$3,873,881 | 13.30% | \$1.68 | \$1,162,913 | 3.99% | \$3.92 | \$2,710,968 | 9.31% |
| NE | U S WEST-Nebraska | \$6.45 | \$41,459,023 | 10.49% | \$1.71 | \$10,957,102 | 2.77% | \$4.75 | \$30,501,921 | 7.72% |
| | TOTAL Nebraska | \$6.37 | \$45,332,904 | | \$1.70 | \$12,120,015 | | \$4.67 | \$33,212,889 | |
| NH | BA New Hampshire TOTAL New Hampshire | \$6.20 | \$57,917,197 | 12.25% | \$1.33 | \$12,446,312 | 2.63% | \$4.87 | \$45,470,884 | 9.61% |
| NJ | United Tel of New Jersey | \$5.64 | \$14,261,268 | 12.98% | \$1.28 | \$3,236,725 | 2.95% | \$4.36 | \$11,024,543 | 10.04% |
| NJ | Bell Atlantic-New Jersey | \$4.87 | \$362,200,725 | 13.31% | \$1.02 | \$75,501,765 | 2.77% | \$3.86 | \$286,698,961 | 10.54% |
| | TOTAL New Jersey | \$4.90 | \$376,461,994 | | \$1.02 | \$78,738,490 | | \$3.87 | \$297,723,504 | |
| NM | GTE SW-New Mexico | \$5.49 | \$3,048,255 | 12.36% | \$1.78 | \$985,919 | 4.00% | \$3.71 | \$2,062,336 | 8.36% |
| NM | GTE SW-Contel-New Mexico | \$8.34 | \$4,439,119 | 13.02% | \$2.16 | \$1,147,295 | 3.37% | \$6.19 | \$3,291,824 | 9.66% |
| NM | U S WEST-New Mexico | \$7.38 | \$70,706,693 | 14.28% | \$1.26 | \$12,043,089 | 2.43% | \$6.12 | \$58,663,604 | 11.85% |
| | TOTAL New Mexico | \$7.33 | \$78,194,068 | | \$1.33 | \$14,176,304 | | \$6.00 | \$64,017,764 | |

Summary of Interstate Costs to be Recovered
from the Intrastate Jurisdiction

| State | Company | Internet, BellSouth Memory Call & DSL | | | Internet & BSouth Memory Call Only | | | DSL Only | | |
|-------|--|---------------------------------------|----------------------|---------------|------------------------------------|----------------------|--------------|-------------------|----------------------|--------------|
| | | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change |
| NV | Central Tel of Nevada Divn.-Nevada | \$4.50 | \$45,574,307 | 12.17% | \$1.75 | \$17,692,597 | 4.72% | \$2.75 | \$27,881,711 | 7.44% |
| NV | Contel/Nevada | \$5.48 | \$2,264,367 | 10.07% | \$1.29 | \$535,648 | 2.38% | \$4.17 | \$1,728,719 | 7.68% |
| NV | Nevada Bell | \$6.70 | \$27,628,250 | 13.38% | \$2.14 | \$8,809,774 | 4.27% | \$4.56 | \$18,818,476 | 9.11% |
| | TOTAL Nevada | \$5.15 | \$75,466,924 | | \$1.84 | \$27,038,019 | | \$3.30 | \$48,428,906 | |
| NY | Rochester Telephone | \$4.20 | \$27,823,959 | 9.37% | \$0.28 | \$1,872,458 | 0.63% | \$3.92 | \$25,951,501 | 8.74% |
| NY | Bell Atlantic - New York | \$6.00 | \$814,394,293 | 10.51% | \$1.82 | \$247,479,322 | 3.19% | \$4.18 | \$566,914,970 | 7.32% |
| | TOTAL New York | \$5.92 | \$842,218,251 | | \$1.75 | \$249,351,780 | | \$4.17 | \$592,866,471 | |
| OH | United Tel of Ohio | \$6.61 | \$47,898,147 | 12.75% | \$2.10 | \$15,215,740 | 4.05% | \$4.51 | \$32,682,407 | 8.70% |
| OH | GTE NO-Ohio | \$6.34 | \$65,411,283 | 13.29% | \$1.74 | \$17,962,398 | 3.65% | \$4.60 | \$47,448,884 | 9.64% |
| OH | The Western Reserve Tel-Ohio | \$6.81 | \$14,597,420 | 14.27% | \$2.21 | \$4,739,071 | 4.63% | \$4.60 | \$9,858,349 | 9.63% |
| OH | Ohio Bell | \$4.29 | \$207,071,072 | 11.84% | \$1.18 | \$56,898,405 | 3.25% | \$3.11 | \$150,172,667 | 8.58% |
| | TOTAL Ohio | \$4.93 | \$334,977,921 | | \$1.40 | \$94,815,613 | | \$3.53 | \$240,162,308 | |
| OK | GTE SW-Oklahoma | \$7.82 | \$10,909,342 | 14.93% | \$2.01 | \$2,799,744 | 3.83% | \$5.82 | \$8,109,599 | 11.10% |
| OK | Southwestern - Oklahoma | \$5.89 | \$112,390,067 | 12.83% | \$1.38 | \$26,333,516 | 3.01% | \$4.51 | \$86,058,551 | 9.82% |
| | TOTAL Oklahoma | \$6.02 | \$123,299,409 | | \$1.42 | \$29,133,260 | | \$4.60 | \$94,166,149 | |
| OR | United NW-Oregon | \$7.52 | \$6,544,774 | 13.01% | \$2.15 | \$1,873,392 | 3.72% | \$5.37 | \$4,671,382 | 9.29% |
| OR | GTE NW-Oregon | \$6.14 | \$33,777,021 | 12.29% | \$1.71 | \$9,429,370 | 3.43% | \$4.43 | \$24,347,651 | 8.86% |
| OR | U S WEST-Oregon | \$6.00 | \$99,791,930 | 12.59% | \$1.06 | \$17,590,938 | 2.22% | \$4.94 | \$82,200,992 | 10.37% |
| | TOTAL Oregon | \$6.09 | \$140,113,725 | | \$1.26 | \$28,893,700 | | \$4.83 | \$111,220,025 | |
| PA | United Tel of Pennsylvania | \$6.77 | \$31,061,368 | 13.64% | \$1.68 | \$7,727,268 | 3.39% | \$5.08 | \$23,334,099 | 10.25% |
| PA | GTE NO-Pennsylvania | \$5.71 | \$36,138,656 | 13.26% | \$1.72 | \$10,917,129 | 4.01% | \$3.98 | \$25,221,528 | 9.25% |
| PA | GTE NO-Contel/Quaker State | \$5.51 | \$2,925,766 | 14.62% | \$1.78 | \$947,100 | 4.73% | \$3.73 | \$1,978,666 | 9.89% |
| PA | GTE NO-Contel/Pennsylvania | \$4.83 | \$3,704,202 | 13.36% | \$1.77 | \$1,357,325 | 4.90% | \$3.06 | \$2,346,877 | 8.46% |
| PA | Alltel of Pennsylvania | \$6.75 | \$18,635,099 | 14.64% | \$1.98 | \$5,476,060 | 4.30% | \$4.77 | \$13,159,039 | 10.34% |
| PA | Bell Atlantic-Pennsylvania | \$4.87 | \$365,217,254 | 13.25% | \$1.14 | \$85,436,229 | 3.10% | \$3.73 | \$279,781,025 | 10.15% |
| | TOTAL Pennsylvania | \$5.08 | \$457,682,345 | | \$1.24 | \$111,861,112 | | \$3.84 | \$345,821,233 | |
| RI | BA - Rhode Island TOTAL Rhode Island | \$5.04 | \$39,599,234 | 12.01% | \$1.25 | \$9,841,936 | 2.98% | \$3.79 | \$29,757,298 | 9.02% |
| SC | GTE SO-Contel-South Carolina | \$6.34 | \$1,828,292 | 13.09% | \$1.72 | \$495,697 | 3.55% | \$4.62 | \$1,332,596 | 9.54% |
| SC | GTE SO-South Carolina | \$6.95 | \$15,092,894 | 12.56% | \$2.15 | \$4,665,980 | 3.88% | \$4.80 | \$10,426,914 | 8.88% |
| SC | BellSouth-South Carolina | \$6.57 | \$114,206,759 | 14.51% | \$1.31 | \$22,780,629 | 2.89% | \$5.26 | \$91,426,130 | 11.62% |
| | TOTAL South Carolina | \$6.61 | \$131,127,945 | | \$1.41 | \$27,942,306 | | \$5.20 | \$103,185,640 | |
| SD | US WEST-South Dakota TOTAL South Dakota | \$5.54 | \$18,545,325 | 11.88% | \$1.19 | \$3,988,711 | 2.56% | \$4.35 | \$14,556,614 | 9.33% |
| TN | United SO-Tennessee | \$6.10 | \$18,336,184 | 13.62% | \$1.62 | \$4,879,490 | 3.62% | \$4.48 | \$13,456,694 | 9.99% |
| TN | BellSouth-Tennessee | \$5.91 | \$186,398,091 | 13.51% | \$1.20 | \$37,847,218 | 2.74% | \$4.71 | \$148,550,873 | 10.76% |
| | TOTAL Tennessee | \$5.93 | \$204,734,276 | | \$1.24 | \$42,726,708 | | \$4.69 | \$162,007,568 | |

Summary of Interstate Costs to be Recovered
from the Intrastate Jurisdiction

| State | Company | Internet, BellSouth Memory Call & DSL | | | Internet & BSouth Memory Call Only | | | DSL Only | | |
|-------------------------------------|---|---------------------------------------|-------------------------|---------------|------------------------------------|------------------------|--------------|-------------------|------------------------|---------------|
| | | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change | Rev Req /Ln/Mo | Total Rev Req Amt | % Change |
| TX | Central-Texas | \$7.11 | \$17,926,030 | 14.56% | \$1.83 | \$4,623,201 | 3.75% | \$5.28 | \$13,302,829 | 10.80% |
| TX | United Tel of Texas | \$9.48 | \$17,527,937 | 15.79% | \$1.23 | \$2,280,236 | 2.05% | \$8.25 | \$15,247,702 | 13.74% |
| TX | GTE SW-Contel-Texas | \$9.80 | \$28,213,981 | 15.23% | \$2.84 | \$7,600,656 | 4.42% | \$6.96 | \$18,613,325 | 10.81% |
| TX | GTE SW-Texas | \$7.38 | \$146,192,964 | 12.57% | \$2.10 | \$41,712,754 | 3.59% | \$5.27 | \$104,480,210 | 8.98% |
| TX | Southwestern - Texas | \$6.67 | \$739,834,185 | 13.73% | \$1.64 | \$181,565,068 | 3.37% | \$5.03 | \$558,269,116 | 10.36% |
| | TOTAL Texas | \$6.88 | \$947,685,097 | | \$1.73 | \$237,781,915 | | \$5.15 | \$709,913,182 | |
| UT | U S WEST-Utah | \$5.91 | \$78,368,693 | 12.23% | \$1.14 | \$15,067,983 | 2.35% | \$4.77 | \$63,300,711 | 9.88% |
| VA | United SO-Virginia | \$6.57 | \$8,412,291 | 14.68% | \$1.43 | \$1,828,670 | 3.19% | \$5.15 | \$6,583,621 | 11.49% |
| VA | Central-Virginia | \$7.98 | \$27,770,482 | 15.44% | \$1.73 | \$6,018,516 | 3.35% | \$6.25 | \$21,751,965 | 12.09% |
| VA | GTE SO-Virginia | \$8.08 | \$3,399,723 | 11.46% | \$2.10 | \$886,507 | 2.99% | \$5.96 | \$2,513,216 | 8.47% |
| VA | GTE SO-Contel-Virginia | \$6.43 | \$40,613,915 | 12.50% | \$1.74 | \$10,977,431 | 3.38% | \$4.69 | \$29,636,484 | 9.12% |
| VA | Bell Atlantic-Virginia | \$5.33 | \$220,252,636 | 13.68% | \$1.16 | \$47,746,978 | 2.97% | \$4.18 | \$172,505,658 | 10.71% |
| | TOTAL Virginia | \$5.69 | \$300,449,047 | | \$1.28 | \$67,458,103 | | \$4.41 | \$232,990,944 | |
| VT | Bell Atlantic -Vermont | \$7.36 | \$29,643,816 | 12.88% | \$1.84 | \$7,413,954 | 3.22% | \$5.52 | \$22,229,863 | 9.66% |
| WA | United NW-Washington | \$7.30 | \$7,343,873 | 14.21% | \$2.03 | \$2,046,837 | 3.96% | \$5.26 | \$5,297,236 | 10.25% |
| WA | GTE NW-Washington | \$6.25 | \$55,388,271 | 10.74% | \$2.08 | \$18,415,084 | 3.57% | \$4.17 | \$36,973,187 | 7.17% |
| WA | GTE NW-Contel/Washington | \$6.40 | \$6,952,458 | 12.26% | \$1.91 | \$2,080,702 | 3.67% | \$4.48 | \$4,871,756 | 8.59% |
| WA | U S WEST-Washington | \$5.63 | \$171,547,845 | 11.62% | \$1.24 | \$37,877,184 | 2.58% | \$4.39 | \$133,670,661 | 9.05% |
| | TOTAL Washington | \$5.83 | \$241,232,447 | | \$1.46 | \$60,419,607 | | \$4.37 | \$180,812,840 | |
| WI | GTE NO-Wisconsin | \$6.34 | \$37,226,006 | 14.01% | \$1.71 | \$10,030,832 | 3.77% | \$4.63 | \$27,195,174 | 10.23% |
| WI | Wisconsin Bell | \$3.75 | \$95,866,334 | 11.31% | \$0.96 | \$24,585,423 | 2.90% | \$2.79 | \$71,280,911 | 8.41% |
| | TOTAL Wisconsin | \$4.23 | \$133,092,340 | | \$1.10 | \$34,616,255 | | \$3.13 | \$98,476,085 | |
| WV | BA-West Virginia | \$7.24 | \$70,346,380 | 14.84% | \$1.55 | \$15,016,501 | 3.17% | \$5.70 | \$55,329,879 | 11.67% |
| WY | U S WEST-Wyoming | \$9.09 | \$26,717,244 | 14.76% | \$0.74 | \$2,160,189 | 1.19% | \$8.36 | \$24,557,055 | 13.56% |
| | TOTAL All Companies | \$5.59 | \$10,980,275,461 | | \$1.40 | \$2,743,110,149 | | \$4.19 | \$8,237,165,312 | |
| Regional Reporting Companies | | | | | | | | | | |
| | ALANT TELECOMMUN. CO. | \$5.55 | \$18,832,123 | 11.84% | \$2.14 | \$7,266,560 | 4.57% | \$3.41 | \$11,565,562 | 7.27% |
| | Citizens - Western Counties | \$9.20 | \$2,999,878 | 14.09% | \$2.06 | \$673,114 | 3.16% | \$7.13 | \$2,326,764 | 10.93% |
| | Citizens - Upstate | \$8.77 | \$27,178,316 | 15.33% | \$2.28 | \$7,052,066 | 3.98% | \$6.50 | \$20,126,250 | 11.35% |
| | Citizens - Red Hook | \$6.48 | \$1,234,822 | 15.70% | \$2.03 | \$388,805 | 4.92% | \$4.45 | \$848,017 | 10.78% |
| | Cincinnati Bell (OH+KY) | \$5.48 | \$67,891,628 | 12.33% | \$1.77 | \$21,921,070 | 3.98% | \$3.71 | \$45,970,557 | 8.35% |
| | TOTAL for Regional Reporting Companies | \$6.09 | \$118,136,766 | | \$1.92 | \$37,299,616 | | \$4.17 | \$80,837,151 | |
| | TOTAL All Reporting Companies | \$5.59 | \$11,098,412,228 | | \$1.40 | \$2,780,409,765 | | \$4.19 | \$8,318,002,463 | |

SEPARATIONS FREEZE PROPOSALS

USTA Interim Freeze Proposal:

- **Price Cap LECs:** the USTA proposal would freeze separations category proportions (*i.e.*, the relative amounts of cost assigned to each sub-category within the broader separations categories) and all allocation percentages (*i.e.*, the relative proportions of costs allocated to the interstate and intrastate jurisdictions) as of a certain date. For example, if, at the date used for the freeze, 20% of Switching Equipment Costs (SEC) traffic is assigned to the tandem switching sub-category and 80% is assigned to the local dial switching sub-category, then going forwards all SEC traffic would be assigned to subcategories under the freeze in the same 20-80 ratio. Within each subcategory, the amount of traffic allocated to the jurisdictions would also be frozen at the same ratio as of the freeze date, going forwards
- **Non-Price Cap LECs:** only the allocation percentages would be frozen, based on a 3-year average allocation. The category proportions would not be frozen because, according to USTA, non-price cap carriers experience more annual fluctuation in category assignments.

Pros of Adopting a Freeze:

- If the freeze is based on separations data prior to 1997, it may dampen the impact of increased Internet traffic on local switching allocations.
 - LECs and states argue that the growth in Internet usage since approximately 1995 has caused intrastate switching costs to increase rapidly, and since ISPs connect to central offices on flat-rated intrastate-tariffed lines, they have no mechanism to adequately recover those costs.
 - A freeze would lock in jurisdictional allocations of switching costs until a permanent Internet cost-recovery mechanism is developed.
- As an interim mechanism, a freeze would ease state pressure on the Commission for immediate action, and give the Commission more time to consider comprehensive reform.
- Depending on what types of data the Commission will still require carriers to maintain, a freeze may reduce administrative burdens on carriers to some extent.

Cons of Adopting a Freeze:

- At this point, the only available measure of Internet traffic, provided by SBC, shows that Internet traffic only constitutes 2% of SWB local traffic and 5% of PacBell local traffic. NECA, however, has asserted that Internet usage amounts to around 18% of local traffic.
- If the freeze is based on a prior year's data, and causes cost shifts towards the interstate jurisdiction, then price cap carriers may request exogenous cost changes based on changes to the separations manual, resulting in upward pressure on interstate access rates.
- If calling patterns shift quickly between jurisdictions due to changes in technology, the freeze could "lock in" artificially high allocations to the interstate jurisdiction (or vice versa).
- Absent a clear commitment to complete reform before a certain date, parties may lose incentive for comprehensive separations reform after a freeze is adopted.

Other Issues:

- The Commission and the Joint Board may need to make decisions on several issues prior to adopting a freeze, to ensure the proper jurisdictional treatment of certain costs and revenues prior to a freeze, including:
 - Costs and revenues associated with unbundled network elements (UNEs) and interconnection
 - Universal service contributions and support
 - CALEA compliance costs and reimbursement
 - Definition of "study area"

PART 36 SEPARATIONS TREATMENT OF DSL SERVICES

Background

- DSL provides a high-speed access connection between an end-user subscriber and an ISP by utilizing a combination of the subscriber's existing local loop, a specialized DSL-equipped wire center, and transport to the network interface where the ISP connects to a LEC's network.
- Although the Commission did not specifically seek comment on the DSL issue in the *Separations NPRM*, the *NPRM* sought comment on the impact of new technologies, including packet-switched technologies.
- In the *GTE DSL Order* (rel. Oct. 30, 1998), the Commission determined that GTE's ADSL service offering, which provides end users with direct access to their selected ISPs, was properly tariffed at the federal level because it is similar to existing special access services that are subject to federal regulation under the mixed-use facilities rule. (The mixed-use facilities rule provides that special access lines carrying more than *de minimis* amounts of interstate traffic, i.e., more than ten percent, should be assigned to the interstate jurisdiction.)
- NARUC filed a Request for Clarification requesting, among other things, that the Commission: (1) clarify that the *GTE DSL Order* does not preclude states from requiring intrastate tariffs of ADSL services that carry less than 10% interstate traffic; and (2) state that the decision is limited to the GTE tariff and does not affect the pendency of the matter before the Separations Joint Board.
- In the *GTE Reconsideration Order* addressing NARUC's petition (rel. Feb. 26, 1999), the Commission stated that NARUC's Request for Clarification raised separations and cost allocation issues that went beyond the scope of the tariff investigation and referred such issues to the Separations Joint Board.

Concerns Raised by State Members of Joint Board

- States should be permitted to require carriers to file interstate and intrastate tariffs for the loop and service configurations associated with DSL service offering. State members are concerned that language in the *GTE DSL Order* may preclude dual tariffing for such DSL service offerings.
- To the extent DSL services are classified as interstate special access services, the states argue that a portion of the loop costs should be allocated to such services. Under the Commission's current rules, the costs of the loop are allocated based on the 25/75 fixed allocator and the incremental costs associated with the provision of DSL services are directly assigned to the interstate jurisdiction under the mixed-use facilities rule.